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ABSTRACT

The civilian labor force has changed dramatically in recent decades and is expected to change even more. The most dramatic of recent demographic changes has been the entry of women into the workforce, particularly married women with children. More and more employers are offering child and elder care assistance, flexible work schedules, flexible benefits, parental leave, and other human resources programs to help their employees balance work and family responsibilities. Another demographic trend is the increasing representation of racial or ethnic minorities in the labor force. Some employers have initiated training programs to recognize the increasing cultural diversity of their workers. A third trend is the aging of the labor force, driven largely by the aging of the baby-boom generation. With the possibility of tight labor markets if large numbers of baby-boom generation workers leave the labor force, some employers have developed strategies to allow phased retirement and/or use the skills of retirees. All these demographic changes are also occurring in the federal workforce. The percentage of the federal workforce that was female rose faster between 1976 and 1990 than in the nonfederal sector. The federal workforce is also more minority based and older. Employers who have responded to changes and are anticipating those changes appear better positioned to prosper in the 21st century. (YLB)

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THE CHANGING WORKFORCE

Demographic Issues Facing Employers

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DEMOGRAPHIC ISSUES FACING EMPLOYERS

Summary of Statement by
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The civilian labor force has changed dramatically in recent decades and is expected to change even more in the decades to come. In response to or in anticipation of those trends, a number of employers are modifying their human resources policies to better enable them to attract, develop, and retain a productive workforce.

The most dramatic of recent demographic changes has been the wholesale entry of women into the workforce, particularly married women with children. The "traditional family," in which the wife stays home while the husband works, and the ability of workers to separate their work and family lives have become historical artifacts. In recognition of this new environment, more and more employers are offering child and elder care assistance, flexible work schedules, flexible benefits, parental leave, and other human resources programs to help their employees balance work and family responsibilities.

Another demographic trend is the increasing representation of racial or ethnic minorities in the labor force. By the year 2005, minorities are expected to represent 27 percent of the labor force, with the highest percentage increases between 1990 and 2005 occurring among Hispanic and Asian/other groups. Some employers have initiated training programs to recognize the increasing cultural diversity of their workforces.

A third trend is the aging of the labor force, driven largely by the aging of the baby-boom generation. Although the effects of this change to date are believed to have been positive, tight labor markets may occur in the second or third decades of the 21st century if large numbers of baby-boom generation workers leave the labor force. Some employers have developed strategies to allow phased retirement and/or to utilize the skills of retirees.

All of these demographic changes are also occurring in the federal workforce. The percentage of the federal workforce that was women rose faster between 1976 and 1990 than in the nonfederal sector. The federal workforce is also more minority based and older than the nonfederal sector.

Some employers have responded to recent demographic changes in the workforce and are anticipating those changes that are expected to occur. These employers appear better positioned to prosper in the 21st century.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here this morning to discuss our recent reports describing the changing workforce and the programs some employers have developed to respond to those changes.

In 1987 the Hudson Institute published Workforce 2000--a report that has become an essential reference book for the personnel management community.[1] Among the demographic "facts" that the report said would shape the economy and the workforce of the future were: (1) tighter labor markets due to slower workforce growth and a smaller reservoir of well-qualified talent; (2) a continued "feminization" of the workforce (i.e., a growing percentage of the workforce that is female); (3) the increasing representation of Blacks, Hispanics, Asians, and other minorities in the workforce; and (4) the aging of the workforce. Our report on Demographic Issues Facing the Federal Government examined each of these changes in some detail.[2] A second report on the Comparison of Federal and Nonfederal Work/Family Programs and Approaches described what some employers are doing to respond to the feminization of the workforce.[3] Today I will discuss these changes in the labor force and describe what some employers are doing to respond to them.

TIGHT LABOR MARKETS/SKILLS MISMATCHES

One of the more controversial predictions in Workforce 2000 was that slow labor force growth, caused by declining birth rates in the post-baby boom generation (those born after 1964), would result in tighter labor markets by the year 2000. The report's prediction that a skills mismatch would emerge between the abilities of new workers and the increasing skill requirements of new jobs has also been controversial.

Several labor economists and other experts have questioned whether these conditions will occur by the turn of the century. For example, officials at the Bureau of Labor Statistics (BLS) told us that labor shortages are usually limited to certain occupations, industries, and geographic areas or for short-term periods. They also pointed out that while the supply of labor has been slowing, the demand for labor has decreased as well.

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[1]William B. Johnston, Workforce 2000: Work and Workers for the 21st Century, (Indianapolis: Hudson Institute, June 1987).

[2]The Changing Workforce: Demographic Issues Facing the Federal Government (GAO/GGD-92-38, March 24, 1992).

[3]The Changing Workforce: Comparison of Federal and Nonfederal Work/Family Programs and Approaches (GAO/GGD-92-84, April 23, 1992).

With both supply and demand decreasing, widespread labor shortages are, they believe, unlikely to occur. Studies by the Economic Policy Institute, the Congressional Research Service, and the Commission on the Skills of the American Workforce, also question the labor shortage/skills mismatch scenario.

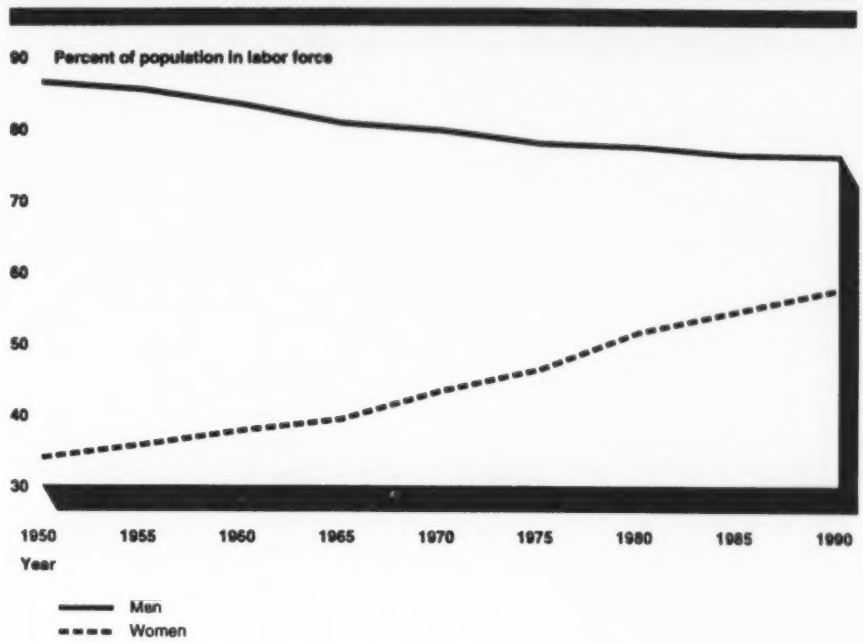
Given the questions that have been raised regarding labor shortages and skills mismatches predicted in Workforce 2000, we believe that it is more prudent for employers attempting to prepare for the future to focus on those elements of the report on which there is widespread agreement--the demographic changes in the workforce that have occurred and are expected to occur.

THE FEMINIZATION OF THE WORKFORCE

The most dramatic of these demographic changes in recent decades has been the wholesale entry of women into the labor force. Between 1950 and 1990, the female civilian labor force increased by nearly a million workers each year. By 1990, nearly 57 million women were working or looking for work--more than a 200-percent increase since 1950. In comparison, during this 40-year period the number of men in the labor force increased by only about 55 percent.

Another way to see this change is by looking at labor force participation rates--that is, the percentage of the population that is working or looking for work. As figure 1 shows, in 1950 only about one-third of all women were in the civilian labor force; by 1990, women's labor force participation rates had increased to nearly 60 percent. During this same period men's labor force participation rates fell by about 10 percentage points to about 76 percent in 1990. BLS has predicted that women's participation rates will continue to increase through the year 2005 while men's participation rates will continue to decline.

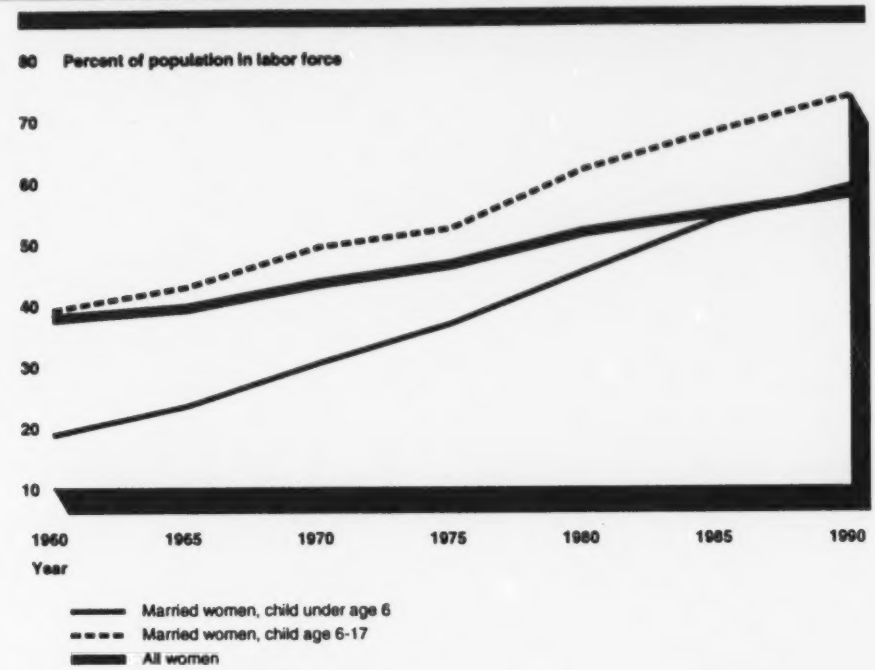
Figure 1: Women's Labor Force Participation Rate Increased Between 1950 and 1990, While Men's Participation Rate Fell



Source: Bureau of Labor Statistics.

The most dramatic change in women's labor force participation rates in recent decades has been among married women with children. As figure 2 shows, less than 19 percent of married women with children under age 6 were in the labor force in 1960. By 1990, nearly 60 percent of such women were in the labor force. Labor force participation rates for married women with children ages 6 to 17 increased from 39 percent in 1960 to nearly 75 percent in 1990.

Figure 2: Labor Force Participation Rates of Married Women With Children Increased Dramatically Between 1960 and 1990



Source: Bureau of Labor Statistics.

Relatedly, there has been a dramatic increase in the proportion of families in which both husbands and wives are in the labor force. In 1960, less than 32 percent of working husbands' wives were in the labor force. By 1990, that percentage had more than doubled to nearly 70 percent.

These statistics clearly indicate that the "traditional family," in which the wife stays home while the husband works, is now a thing of the past. In fact, the Bureau of National Affairs reported in 1989 that only about 4 percent of American families fit the stereotypical image of the father who works outside the home and the mother who stays home and cares for the children. Because fewer and fewer households have caregivers in the home during working hours, more and more employees face the challenge of trying to manage personal responsibilities, such as child care and elder care, from the office or worksite. Thus, like the traditional family, the ability of employees to keep work and family issues separate is fast becoming an historical artifact.

Employees and employers increasingly realize that traditional human resources policies, such as rigid work schedules and leave programs, are not conducive to achieving a work/family balance. This imbalance has also been shown to cause increased turnover

and absenteeism and lower productivity. Therefore, a number of employers have changed their human resources policies to help employees balance their work and family responsibilities, adopting such programs as flexible work schedules, increased use of part-time employment and job sharing, flexible benefits and dependent care spending accounts, flexible work place arrangements, use of sick leave to care for family members, child care centers and referral programs, elder care assistance, and counseling and training programs. The key element in these employers' work/family programs is reportedly increased flexibility to accommodate workers' needs.

Our report on The Changing Workforce: Comparison of Federal and Nonfederal Work/Family Programs and Approaches discusses the development of work/family programs by 16 leading nonfederal employers, including IBM, AT&T, American Express, Levi Strauss, and the States of New York and California. These employers often believed the programs helped them reduce turnover, improve productivity, and become more competitive employers, and several had done studies that demonstrated those effects.

The number of employers adopting these policies and programs has increased rapidly in recent years. For example, BLS reported that the percentage of employees in medium and large private sector firms offering child care assistance was five times greater in 1989 than in 1985. The percentage of state and local government employees eligible to receive child care assistance more than quadrupled between 1987 and 1990. Still, only a small percentage of all employers currently offer such programs. They are most common among relatively large firms. A 1991 study by Hewitt Associates found that 66 percent of the more than 1,000 major U.S. employers they surveyed provided some form of child care assistance.

Some companies have undergone a complete metamorphosis in their human resources policies. For example, in 1950 IBM did not hire married women and the company's female employees had to quit when they got married. It was assumed their husbands would support them. Now, IBM's policies are designed to attract and retain women (as well as men). The company offers a range of programs built upon a recognition that the spheres of work and family are inextricably linked. In 1991, IBM was named by the Families and Work Institute as one of four U.S. companies having the most developed set of work and family programs.

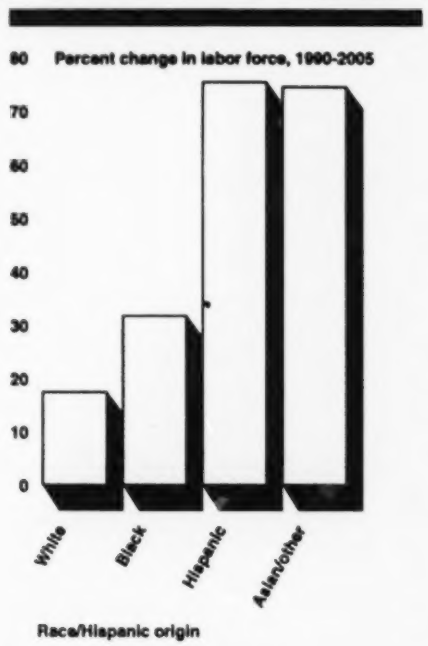
In summary, then, a number of employers are adopting programs and policies to accommodate the "new workforce" brought about by the entry of women into the workforce. However, it should be emphasized that these programs and policies are not solely for women. Both women and men need human resource policies designed to help them balance work and family responsibilities.

INCREASING PERCENTAGE OF LABOR FORCE WHICH ARE MINORITIES

The second demographic trend we examined in our study was the increasing percentage of racial or ethnic minorities in the civilian labor force. Minority representation in the employed labor force increased slowly until about 1970, but since then this representation has accelerated. By 1980 minorities represented about 17 percent of the workforce; by 1990 this had increased to nearly 21 percent. BLS officials predicted a continuation of this trend into the next century, with minorities representing 27 percent of the labor force by the year 2005.

As figure 3 shows, the representation of certain racial or ethnic groups in the labor force is expected to increase faster than others in the coming years. BLS predicted that while the number of Whites in the labor force is expected to increase by about 17 percent between 1990 and 2005, the number of Blacks is expected to increase by over 30 percent, and the number of Hispanics and Asian/other minorities is expected to increase by about 75 percent during this period.

Figure 3: Representation of Blacks, Hispanics, and Asians/Others in the Labor Force Expected to Grow Rapidly Between 1990 and 2005



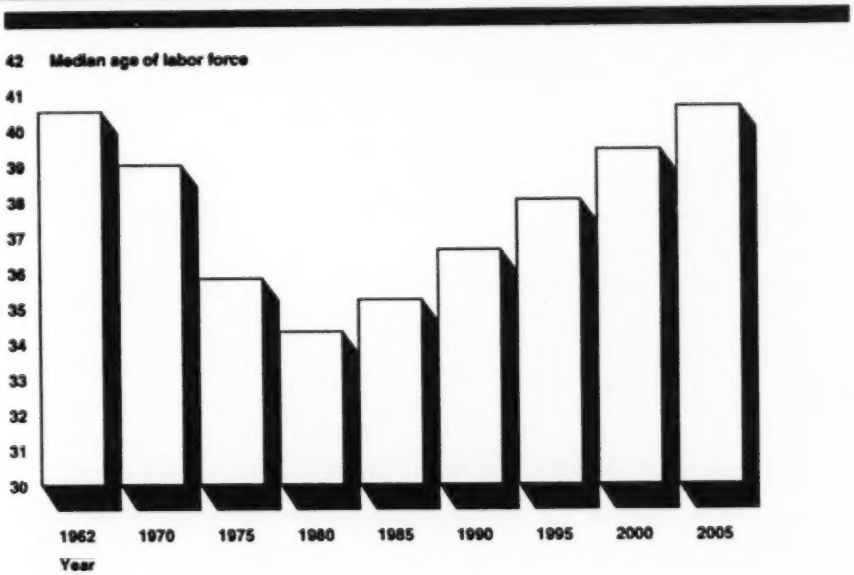
Source: Bureau of Labor Statistics.

In response to or in anticipation of these changes, some employers have initiated programs to recognize the increasing cultural diversity of their workforces. For example, Digital Equipment Corporation began a training program that helps employees understand the behavioral and business implications of a diverse workforce. The program stresses that differences are beneficial to the corporation because the workforce and customer base of the organization are changing. Similarly, several AT&T business units have established diversity training programs, workshops, and publications for their employees. AT&T has also established a cross-business unit diversity team to discuss other diversity initiatives.

AGING OF THE WORKFORCE

A third demographic trend we discussed in our report was the aging of the workforce. In a sense, this phenomenon is nothing new. As figure 4 shows, while the median age of the civilian labor force has been rising since 1980, the median age is still not as high as it was in 1962 and is not expected to reach that level again until the year 2005.

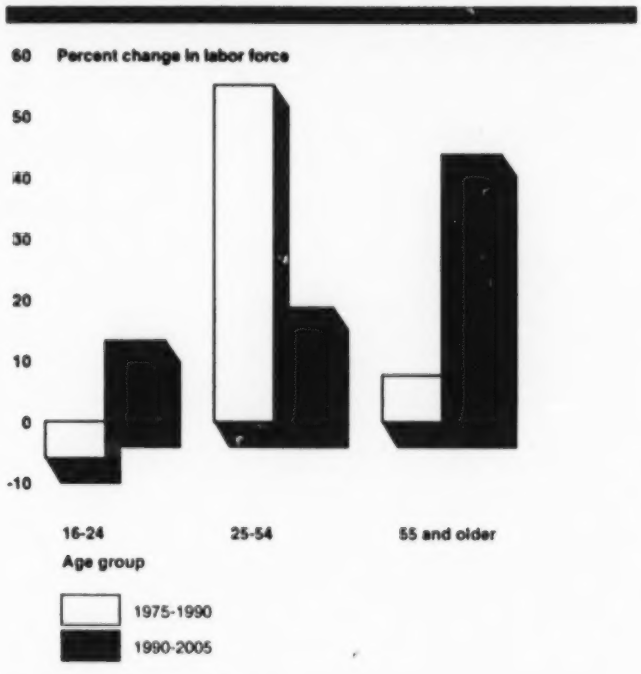
Figure 4: Median Age of the Labor Force Will Be About as High in 2005 as It Was in 1962



Source: Bureau of Labor Statistics.

In some ways, though, the changes to come in the age composition of the labor force will be different from what we have experienced to date. As figure 5 shows, between 1975 and 1990 the 25-to-54 age group grew more rapidly than any other age group in the labor force. Thus, what we have seen to date has been the "middle-aging" of the labor force. From 1990 to 2005, though, the greatest increase in the labor force is expected to be in the 55-and-older group. These changes reflect the movement of the 76 million person "baby-boom generation" (those born between 1946 and 1964) through the labor force age categories. The first baby boomers will turn 55 in the year 2001, with the last of that generation reaching 55 in 2019.

Figure 5: The 55-and-Older Age Group in the Labor Force Will Grow Fastest Between 1990 and 2005



Source: Bureau of Labor Statistics.

The aging of the labor force has, to date, been believed to have had a number of positive economic effects, with the more experienced "middle-aged" workers being more productive and having a higher national saving rate. However, the longer term consequences may be of more concern. By the second or third decades of the 21st century a significant portion of the labor force will be eligible to retire--perhaps a larger portion than at any time in American history. Retirement trends indicate that workers increasingly leave the labor force as soon as they are

able to do so. If large numbers of baby-boom-generation workers retire and the relatively smaller post-baby boom generation is insufficient to take its place, officials we interviewed said there may be generalized tight labor markets during the second or third decades of the 21st century. However, they said that predicting changes that far into the future is extremely risky. For example, if employers devise incentives to encourage older workers to delay their retirement plans or to utilize the skills of older workers, these tight labor markets may never exist.

Some employers are doing just that. For example, the Travelers Corporation established a job bank for its headquarters retirees in 1981, and it has since expanded the program to include non-Travelers retirees. The retirees fill positions ranging from unskilled production through data entry to professional. A study by the Commonwealth Fund found the program saved the company money, provided staffing flexibility, and offered other advantages, such as improved employee morale and an expanded temporary employment pool. Grumman Corporation has also established a retiree job bank. The company asks retiring employees if they are interested in returning to work on a short-term basis. Those interested are called back as the need arises, and they are rehired through a contract agency so that their pensions are not affected. The company also has a phased retirement program that allows pension-eligible employees who are at least 60 years old to go on a part-time schedule but still be treated as full-time workers for pension accrual and insurance purposes. The program was initiated to allow a more gradual transfer of technology than traditional retirements allow.

IMPLICATIONS FOR THE FEDERAL EMPLOYER

All of the demographic changes I have discussed--the "feminization" of the labor force and the increasing presence of minority and older workers--are also occurring in the federal workforce. Between 1976 and 1990, the percentage of the federal workforce that was women rose faster than in the nonfederal sector. The number of federal professional and administrative jobs held by women in the federal government rose by 162 percent during this period--10 times faster than the rate for men. The federal workforce also has a higher percentage of minorities than the nonfederal sector and is about 5 years older than its nonfederal counterpart. Therefore, the federal government must also devise strategies to deal with these demographic shifts. However, because the demographic composition of the federal workforce differs by agency and region, a single strategy or set of strategies will probably not be appropriate in all circumstances. Demographic differences by region are also apparent in the nonfederal labor force.

CONCLUSION

The inescapable conclusion one draws after looking at the issue of demographic change is that today's labor force is dramatically different from the labor force of 20 and certainly 40 years ago. Likewise, it is no great stretch of the imagination to predict that the labor force of the next generation will be different from today's. For the changes that have occurred already, the relevant question is "have employers adapted to the changed conditions?" Have they recognized that employees need help in balancing work and family life? Have they recognized and utilized the strengths of a diverse workforce? For the changes that are still to come, the relevant question is "what should we do to prepare for the labor force of the future?"

Some employers have recognized the changing dimensions of the workforce and have changed their human resources policies to respond to or anticipate those changes. They have also found that these policies can pay dividends in terms of improved recruitment, retention, and productivity. These employers appear better positioned to prosper and grow as we head toward the 21st century.

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This concludes my prepared statement. I would be happy to try to answer any questions you might have.

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